REQUESTOR NAME: **BC Sustainable Energy Association and Sierra Club BC**
INFORMATION REQUEST ROUND NO: 1
TO: **Canadian Office and Professional Employee's Union, Local 378 (COPE)**
DATE: **January 16, 2014**
PROJECT NOS: **3698715 (FEI) and 3698719 (FBC)**
APPLICATION NAMES: **FEI and FBC Performance Based Ratemaking (PBR) Revenue Requirements 2014-2018**

1.0 Topic: Financial Consequences for SQI non-performance
Reference: FEI Exhibit C2-10 (FBC Exhibit COPE C4-9), p.12

1.1 Would Ms. Alexander agree that in both a PBR regime (without SQI non-performance penalties) and a COS regime the customers, not the utility, bear the risk of the utility failing to meet performance standards under a set of SQIs, but in the COS scenario the utility has a financial incentive to improve its performance on SQIs by taking measures that increase the rate base or are financially neutral to the utility, whereas in a PBR scenario the utility has a financial incentive to reduce, or to reduce improvements in, SQI performance as a consequence of taking cost-efficiency measures incented by the PBR regime? Please explain the answer if necessary.

1.2 Similarly, would Ms. Alexander agree that in both a PBR regime (without SQI non-performance penalties) and a COS regime there is no linkage between service quality performance and utility earnings, but in the COS scenario the incentives foster improvements in SQI performance, whereas in the PBR scenario the incentives foster diminution of in SQI performance? Please explain the answer if necessary.

2.0 Topic: Service Quality and Customer Service
Reference: FEI Exhibit C2-10 (FBC Exhibit COPE C4-9)

2.1 Ms. Alexander refers in her evidence to "service quality and customer service." What is her definition of "customer service"? How does it differ from "service quality"?

3.0 Topic: SQI Non-Performance Penalty
Reference: FEI Exhibit C2-10 (FBC Exhibit COPE C4-9), p.4; pp.37-41

"I make the following recommendations for changes to the integration of customer service and service quality performance for any PBR plan approved by the Commission: ...

The SQI should include a customer compensation mechanism that risks up to 1% of retail revenues for the failure to maintain reasonable service quality, reliability, and employee safety performance standards;"

3.1 By "customer compensation mechanism," does Ms. Alexander mean allocation of funds to the account of ratepayers (as a whole)?

3.1.1 One or two of the examples Ms. Alexander discusses involve payments or credits to individual customers or sub-groups of

customers in the event of SQI non-performance. Is it correct that this is not what Ms. Alexander recommends regarding FEI and FBC. Alternatively, please explain.

3.2 The terms "customer compensation" and "penalties" are used in various places in Ms. Alexander's evidence. Does Ms. Alexander intend to make a distinction between two concepts, such as that "compensation" refers to restoration in the amount of a loss, whereas "penalty" refers to money required to be paid to discourage certain conduct? Please explain.

3.3 Would Ms. Alexander agree that basing an SQI non-performance mechanism on a "compensation" rationale (defined as restoration in the amount of a loss) would be problematic because it would usually be difficult or impossible to quantify the customers' financial loss due to a violation by the utility of an SQI standard? If not, please explain.

3.4 In addition to Ms. Alexander's professional judgment and experience is there a theoretical and/or quantitative basis for Ms. Alexander's proposed cap on SQI non-performance compensation of "up to 1% of retail revenues"?

4.0 Topic: Size of Penalty
Reference: FEI Exhibit C2-10 (FBC Exhibit COPE C4-9), pp.4-5; pp.37-41

"I make the following recommendations for changes to the integration of customer service and service quality performance for any PBR plan approved by the Commission: ...

FBC and FEI should be required to compare their annual results with benchmark performance standards and pay a customer compensation penalty that reflects $50,000 for each percentage point deterioration for an FBC metric and $250,000 for each percentage point deterioration for an FEI metric;"

4.1 In addition to Ms. Alexander's professional judgment and experience is there a theoretical or quantitative basis for the proposed dollar figures?

4.2 Does "each percentage point deterioration" of an SQI metric imply that each SQI metric would be converted to a percentage?

4.3 Would there be merit in adjusting the "each percentage point deterioration" for the variability in the particular SQI metric? Alternatively, would there be merit in defining the SQI metrics in such a way as to smooth out expected fluctuations?

4.4 By what mechanism does Ms. Alexander propose that the SQI non-performance penalty would be transferred to the customers? Would it be via a rate rider, i.e., proportional to the size of an individual customer's bill? Would it be a lump sum refund of the same size to every customer?

4.5 Please comment on the pros and cons of defining the financial consequences of SQI non-performance in terms of the size of the utility's potential or actual share of the Earnings Sharing Mechanism.

5.0 Topic: Incentive Payments
Reference: FEI Exhibit C2-10 (FBC Exhibit COPE C4-9), p.14

"It is unfair and unreasonable for FortisBC to reward its managers for improvement in service quality performance and refuse to provide any compensation to its customers if service quality deteriorates."

5.1 Under FEI's and FBC's proposed PBR mechanisms what happens to the funds available for incentives to managers that are not spent (paid to managers) due to some degree of non-performance in relation to SQIs? Is it notionally an efficiency that is subject to the Earnings Sharing Mechanism and divided between the customers and the utility?

5.2 Please comment on the merits of a mechanism in which funds available for incentives to managers that are not spent due to some degree of non-performance in relation to SQIs are assigned 100% to the account of the customers.

5.2.1 Given that customers provide the funds that are available for management incentives, does it follow that funds not used for that purpose should be returned in whole to the customers?

6.0 Topic: Customer Satisfaction Index
Reference: FEI Exhibit C2-10 (FBC Exhibit COPE C4-9), p.24, *et seq.*

"I also reject the composite index approach since it dilutes the impact of any one measurement. I recommend that the SQI should measure Customer Satisfaction with a Recent Call Center Transaction so that the customer's view of a recent interaction with the Company's call center is measured."

6.1 Is it Ms. Alexander's recommendation that the current multi-factor Customer Satisfaction Index be replaced entirely with a single metric for performance concerning Recent Call Center Transaction?

6.2 Is the content of the proposed Recent Call Center Transaction metric what is discussed under the heading "Telephone Service Factor" on pages 27 to 28? If not, please explain.

7.0 Topic: FBC Meter Reading SQI
Reference: FEI Exhibit C2-10 (FBC Exhibit COPE C4-9), p.31

"Meter Reading Accuracy: FBC acknowledges that the deployment of AMI will positively influence this metric because the AMI system will remotely and automatically obtain meter readings, thereby eliminating potential errors associated with manual meter reading [footnote omitted] SQI for electric service."

7.1 Would Ms. Alexander agree that despite FBC's positive expectations there is a reasonable possibility that implementation of the AMI system will have glitches that are reflected in reduced performance on the Meter Reading Accuracy metric?

7.2 Would it be prudent to retain the Meter Reading Accuracy metric at least until the AMI system has been fully implemented and it is confirmed that the metric is unnecessary?